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SUBJECT: DRC PARLIAMENT DEBATES 2007 BUDGET

¶1. (U) The DRC's 2007 budget is currently before the National Assembly. Members debated the budget May 29 and 30, and a final vote is expected in the coming weeks.

¶2. (SBU) The proposed budget of approximately USD 2.14 billion projects domestic revenue of about USD 1.2 billion - 60 percent of the total, external funding of about USD 890 million and an estimated funding gap of about USD 87 million. (Comment: The figure of USD 890 million in external funding is an optimistic projection, and the GDRC has not received a commitment of this amount. End comment.)

¶3. (U) Nearly one-third of the expenditures - about USD 671 million - are budgeted to service external debt, while about USD 54 million is budgeted for programs in President Kabila's five priority development categories. The budget projects a GDP of 6.5 percent, average inflation of 8.8 percent, and an average exchange rate of 560 Congolese francs per USD.

¶4. (SBU) Several parliamentary groups, including some in the AMP alliance, have criticized the budget, according to contacts within Parliament and MONUC. Opposition party groups, including the MLC, have publicly declared the budget "unacceptable" and called for its rejection. Passage of the budget will be an important test for the AMP and the government of Prime Minister Gizenga.

¶5. (U) The Assembly has not set a final voting date, but it will not likely occur earlier than mid-June. IMF officials, who have provided technical assistance in drafting the budget, do not expect the Parliament to pass the budget before the end of June. (Note: The regular session of Assembly ends June 15, and an extraordinary session is expected to begin June 25. End note.)

¶6. (U) The Prime Minister is scheduled to respond on June 2 to questions about the budget that Members of Parliament have submitted to the government. Following that discussion, the Assembly will vote on the current draft. The Parliament's Economic and Financial Commission will then review and amend the draft as necessary and return it to plenary for a final vote. If the Assembly approves the budget, it must also harmonize its version with that of the Senate before sending it to the President for promulgation.

Comment

¶7. (U) The Parliament is certainly feeling pressure from numerous sources to finally approve a national budget. Plans for the DRC's donor Consultative Group meeting, tentatively scheduled for June 20-22 in Kinshasa, is one source of pressure, but prospects are not good that a final budget will

emerge by the date. The presence of an IMF team, in Kinshasa until June 7, is also helpfully adding to that pressure. Whatever the result, however, few Congolese will be pleased, given the meager revenues available to accomplish an enormous variety of publicly-demanded tasks. End comment.
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